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DJIA **25440.51** 0.60% ▲Nasdaq **7242.57** -0.23% ▼U.S. 10 Yr 6/32 Yield **3.090%** ▲Crude Oil **56.61** 0.27% ▲Euro **1.1410** 0.70% ▲

THE WALL STREET JOURNAL.

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MARKETS | COMMODITIES

Growth Worries Threaten Copper's Luster

Some investors fret that the industrial metal can't keep outperforming struggling crude oil



After a rough patch, copper has outperformed some other industrial commodities. Here, a copper refinery in Chile.

PHOTO: RODRIGO GARRIDO/REUTERS

By *Ira Iosebashvili*

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Copper prices have held their ground recently even as oil has tumbled and stocks have swung, but some investors say worries over the pace of global growth may soon put an end to the metal's outperformance.

Copper for November delivery has risen more than 3% this month, compared with a nearly 12% drop in prices for Brent crude, the global oil benchmark. The divergence is notable because many investors trade oil and copper in the same basket of commodities, with a larger share devoted to crude.

Some investors use copper prices as a barometer for the global economy, as the metal is a key component in everything from iPhones to refrigerators and is widely used in construction.

There are several reasons why prices for the two commodities have parted ways, analysts said. Idiosyncratic factors have swung crude prices in the last few months, including rising production and a deteriorating demand outlook.

Prices also rose amid expectations that the U.S. would reinstate sanctions on Iran, only to drop when the White House granted waivers to eight countries, allowing them to keep buying Iranian oil and easing fears of a supply crunch.

The recent stability marks a reversal for copper, which fell more than 20% over the summer, when fears of a global trade war between the U.S. and China intensified. China accounts for nearly half of all global demand for the metal.

That decline may have been overdone, leaving copper more stable than other commodities now, said Michael Widmer, a commodities strategist at Bank of America

Merrill Lynch.

"Copper has already priced in an awful lot and demand is not necessarily bad," he said.

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In recent days, prices for the metal have been helped by hopes of a thaw in relations between the U.S. and China as talks between top officials resumed ahead of a meeting between the countries' leaders later this month. Like many commodities, copper can also be swayed by speculators aiming to profit from price swings, clouding the picture for those looking to the metal as a forecaster of economic health.

Still, it is unlikely copper prices will continue going their own way if trade tensions or a shift toward tighter

monetary policy weigh on growth outside the U.S., analysts said.

Recent signs have been worrying to some investors. China's bank lending and consumer spending slowed in October. Germany's economy shrank for the first time in 3½ years in the third quarter, while Japan's economy, the world's third largest, contracted at an annualized pace of 1.2%.

In general, "2019 may not be the strongest year for commodities," Mr. Widmer said.

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